Schneider Electric Danmark A/S

Lautrupvang 1
2750 Ballerup

CVR no. 70 69 87 14

Annual report 2016

The annual report was presented and approved at the Company's annual general meeting on

Ballerup, May 29th 2017

Chairman

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Schneider Electric Danmark A/S for the financial year 1 January – 31 December 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Ballerup, May 29th 2017
Executive Board:

Helene A. Rasmusson Egebøl

Board of Directors:

Niels H. Svenningsen Chairman	Alexandre Georges Michel Brunet	Mohamed Omar Akrout
Hanne Taarup Jensen	Ole Skov Jensen	Ole Kjær-Larsen

Independent auditor's report

To the shareholders of Schneider Electric Danmark A/S

Opinion

We have audited the financial statements of Schneider Electric Danmark A/S for the financial year 1 January – 31 December 2016 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

— conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

— evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, May 29th 2017
Ernst & Young
Godkendt revisionspartnerselskab
CVR no.30 70 02 28

Jan C. Olsen State Authorised Public Accountant	Bo Leinum State Authorised Public Accountant

Management's review

Financial highlights

DKK'000	2016	2015	2014	2013	2012
Key figures					
Revenue	2,029,508	1,893,791	1,717,382	1,735,292	1,725,723
Operating profit	238,101	209,275	149,285	214,519	246,361
Net financials	-1,361	-1,027	-400	-719	7,149
Profit/loss for the year	183,302	159,967	112,899	161,066	186,067
Total assets	774,085	731,022	662,994	727,462	747,018
Investment in property, plant and equipment	-42,068	-93,281	-27,715	-18,437	-15,103
Equity	295,302	271,967	224,899	316,362	357,038
Ratios					
Operating margin	11.7%	11.1%	8.7%	12.4%	14.3%
Return on assets	32.4%	30.0%	21.5%	29.1%	39.3%
Solvency ratio	38.1%	37.2%	33.9%	43.5%	47.8%
Return on equity	64.6%	64.4%	41.7%	47.8%	55.7%
Average number of full-time employees	783	806	830	807	801

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". The financial ratios have been calculated as follows:

Operating margin	$\frac{\text{Operating profit x 100}}{\text{Revenue}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax x 100}}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$
Return on assets	$\frac{\text{Profit/loss from operating activities}}{\text{Average assets x 100}}$

Management's review

Operating review

Principal activities

Schneider Electric is the global specialist in energy management and automation. We help our customers achieve more with less resources in a more connected, distributed and smart world and where the need for energy will continue to increase. Schneider Electric provides innovative technologies, solutions and services for its customers to achieve the most efficient and sustainable use of their resources, assets, processes and infrastructures.

At Schneider Electric, our mission is to serve our customers by developing innovative products and solutions that simplify the lives of those who use them. We bring together our expertise and solutions to drive new possibilities for efficiency and savings.

Schneider Electric is a global frontrunner in green energy solutions and operates within the market areas industry, energy and infrastructure, data centers, industrial construction as well as housing, both commercial and residential, with a broad supply of solutions and products to energy optimization. Schneider Electric is involved in every part of the value chain from the production of energy at power plants or wind turbines to the distribution and transportation through the electricity network before the final consumption in factories, office buildings or houses.

Our intent is to make sure that Life is On for everyone, everywhere and at every moment with our technology. We ensure that energy is on for our customers and that it is:

- **safe**: protecting people and assets;
- **reliable**: guaranteeing ultra-secure, ultra-pure and uninterrupted power especially for critical applications;
- **efficient**: delivering solutions adapted to the specific needs of each market that simplify customers' life and improve their efficiency and productivity;
- **sustainable**: helping customers build a sustainable future by using less of their resources and minimizing the impact on the environment; and
- **connected**: leveraging new opportunities with the convergence of Operational Technology (OT) and Information Technology (IT).

Schneider Electric Danmark A/S is located in Ballerup in the GreenHouse, a showcase for our latest technologies and solutions notably in terms of Energy efficiency and cost reduction.

The company has approximately 780 employees and is among others responsible for the Lauritz Knudsen brand, which is the oldest supplier of electrical materials to the Danish market. The manufacturing of the Lauritz Knudsen products is primarily taking place in Schneider Electric's highly automated and energy efficient factory in Ringsted, which also manufactures products to the European and Asian markets. Schneider Electric Danmark A/S is owned by Schneider Electric Industries S.A. (France), which is the ultimate parent company in the Group.

Management's review

Operating review

Development in activities and financial position

A commercial focus and dedicated investments in our targeted end-user markets, Energy, Industry and Datacenters, continue to bring a significant growth on these businesses. We had several products launches in 2016, that contributed also to our global growth that reached +7.2% vs 2015.

The Company's gross margin has increased by MDKK 32,4 due to higher revenue.

The Company's ordinary operating profit has increased by MDKK 29, mainly due to higher revenue.

Corporate Social Responsibility
The company is following the parent company guidelines for CSR and the company do not have any independent politics in Denmark for social responsibilities including climate impact, environment and human rights.
In accordance with the Danish Financial Statements Act section 99(a), we refer to our parent company's Sustainable Development Annual Report for a description of the company's engagement in corporate social responsibility, including human rights and climate impacts. See link http://sdreport.schneider-electric.com/en/community-social-responsibility/

Gender composition

In line with Danish Financial Statement Act section 99(a), we meet the requirement of Board gender distribution, as Board consists of 3 elected people, of whom one is a woman. Hanne Taarup, our HR director has been appointed as Board Member in 2014.

Helene Egebøl, Management director for Schneider Electric Denmark, is supporting the WEP (Woman Empowerment Principles) while the United Nations Women and Global Compact has conferred Jean Pascal Tricoire, the Group CEO, the 2015 CEO Leadership Award in recognition of his demonstrated commitment to and implementation of policies that advance and empower women in the workplace, marketplace and community

At Management level the country MD has set a goal to ensure more women in the management team level. Target for 2016 is set to 33%, during 2015 & 2016 a plan was put in place to drive towards the target and by the end of 2016 the Management team was completely balanced at 50-50.

In addition, there are 2 major initiatives – one is to ensure female candidates in all recruitments. Currently we are at 29,1% female out of the total workforce and target is to have a more balanced split. Therefore, we set a target of 40% for new hires to be women. In 2016 we reached 33% and we are continuing to follow the plan to drive towards the 40% target. Second we launched the Diversity & Inclusion Think Tank and with our MD being a woman, we aim to be even more ambitious in our efforts to become a diverse and inclusive company in the future. Diversity is not only a matter of gender, however also about nationalities, age and education. Today we have 36 nationalities employed in Schneider

Management's review

Operating review

Electric in Denmark.

Intellectual capital

Schneider Electric's ambition is to be the global specialist in energy management. In Denmark, this implies that we continue to play a central role in the Danish electrical industry and that we are contributing to the development of the industry and the market in general. We are focusing on a high degree of delivery reliability, high quality products and product functionality and a high degree of customer satisfaction. The Company also strives to be an attractive workplace for skilled and committed employees.

To achieve these objectives, the Company highly emphasises building the right competences within the selected business areas, partly through own staff and partly through a comprehensive educational programme with business partners in the industry.

Profit/loss for the year (including comparison with forecasts previously announced)

In line with our expectations the profit for the year has grown by 0,7 pt compared to last year, due to higher revenue while our costs are kept under control and have not increased by the same level.

Outlook

We will continue our previous successful growth plan and have for 2017 already launched specific growth initiatives, which are expected to bring further profitable growth. Hence, we expect 2017 business to grow at least at the level of GDP increase.

Events after the balance sheet date

No events have occurred after the financial year-end, which could significantly affect the Company's financial position.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2016	2015
Revenue	2	2,029,508	1,893,791
Production costs	3	-1,377,244	-1,273,951
Gross profit		652,264	619,840
Distribution costs	3	-212,719	-199,698
Administrative expenses	3	-195,723	-202,271
Ordinary operating profit		243,822	217,871
Research and development costs		-7,223	-7,566
Other operating income		1,561	243
Other operating expenses		-59	-1,273
Operating profit		238,101	209,275
Financial income	4	1,223	4,748
Financial expenses	5	-2,584	-5,775
Profit before tax		236,740	208,248
Tax for the year	6	-53,438	-48,281
Profit for the year		183,302	159,967

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2016	2015
ASSETS			
Non-current assets			
Intangible assets	8		
Goodwill		4,401	0
Software		2,129	128
		6,530	128
Property, plant and equipment	9		
Land and buildings		64,161	54,117
Plant and machinery		64,410	75,969
Other fixtures and fittings, tools and equipment		15,294	15,532
Property, plant and equipment in progress		43,664	48,601
		187,529	194,219
Investments	10		
Other securities and investments		3,383	3,383
		3,383	3,383
Total non-current assets		197,442	197,730
Current assets			
Inventories			
Raw materials and consumables		20,744	18,227
Work in progress		7,587	11,823
Finished goods and goods for resale		58,388	52,716
		86,719	82,766
Receivables			
Trade receivables		248,139	273,178
Work in progress for third parties	11	38,745	44,764
Receivables from group entities		142,775	57,201
Income taxes receivables		14,579	19,338
Other receivables		30,200	42,218
Prepayments		1,072	289
		475,510	436,988
Cash		14,414	13,538
Total current assets		576,643	533,292
TOTAL ASSETS		774,085	731,022

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2016	2015
EQUITY AND LIABILITIES			
Equity	12		
Share capital		112,000	112,000
Retained earnings		0	0
Dividend proposed for the year		183,302	159,967
Total equity		295,302	271,967
Provisions	13		
Deferred tax		14,515	12,899
Other provisions		28,214	16,727
Total provisions		42,729	29,626
Liabilities other than provisions			
Current liabilities other than provisions			
Prepayments on work in progress	11	44,429	41,997
Trade payables		32,799	62,268
Payables to group entities		89,449	120,274
Other payables		231,502	169,638
Deferred income	14	37,875	35,252
Total liabilities other than provisions		436,054	429,429
TOTAL EQUITY AND LIABILITIES		774,085	731,022
Accounting policies	1		
Collateral	15		
Contractual obligations, contingencies, etc.	16		
Related parties	17		
Fees to the auditor appointed at the Company in general meeting	18		
Related party transactions	19		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Share capital	Dividend proposed for the year	Retained earnings	Total
Equity at 1 January 2015	112,000	112,899	0	224,899
Profit/loss for the year	0	159,967	0	159,967
Distributed dividends	0	-112,899	0	-112,899
Equity at 1 January 2016	112,000	159,967	0	271,967
Profit/loss for the year	0	183,302	0	183,302
Distributed dividends	0	-159,967	0	-159,967
Equity at 31 December 2016	112,000	183,302	0	295,302

The changes in the share capital for the past five years can be specified as follows:

	2016	2015	2014	2013	2012
Balance at 1 January	112,000	112,000	112,000	110,000	108,230
Capital increase	0	0	0	2,000	1,770
	112,000	112,000	112,000	112,000	110,000

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Schneider Electric Danmark A/S for 2016 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

1. Yearly reassessment of residual values of property, plant and equipment

Re 1: In future, residual values of property, plant and equipment are subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment other than those relating to the Company's land. Consequently, the changes is made in accordance with section 4 of the executive order on transitional provisions with future effect only as a change in accounting estimates with no impact on equity.

None of the above changes affects the income statement or the balance sheet for 2016 or the comparative figures.

Apart from the above changes as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Schneider Electric Industries SAS.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Financial statements 1 January – 31 December

Notes (Continued)

1 Accounting policies

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be reliably measured and payment is expected to be received.

Income from the rendering of services, is recognised as revenue as the services are rendered, implying that revenue corresponds to the market value of the services rendered in the year (production method).

Where the income from a construction contract cannot be estimated reliably, contract revenue corresponding to the expenses incurred is recognised only in so far as it is probable that such expenses will be recoverable from the counterparty.

Revenue is measured at fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Other operating income and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the entity's core activities, including gains or losses on the sale of fixed assets.

Production costs

Production costs include expenses incurred to generate the year's revenue. The item includes direct and indirect expenses relating to raw materials, consumables, labour, rent and leasing as well as depreciation of productive equipment.

Provisions for losses on construction contracts are recognised in productions costs.

Distribution costs

Distribution costs include expenses relating to sale and distribution in the year, including expenses relating to sales staff, advertising, exhibitions and amortisation/depreciation of assets that are related to sale and distribution of the company's products.

Administrative expenses

Administrative expenses include expenses incurred in the year for purposes of managing and administering the company, including expenses relating to administrative staff, management, office premises/expenses as well as amortisation/depreciation of assets used for administrative purposes.

Financial statements 1 January – 31 December

Notes (Continued)

1 Accounting policies

Development costs

The item includes research costs, development costs not satisfying the criteria for capitalisation and amortisation/depreciation.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance payment of tax scheme, etc.

Tax

Tax for the year comprises current corporation tax, joint taxation contributions for the year and changes in deferred tax for the year – including changes resulting from changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

The parent and all Danish group entities are jointly taxed. The Danish income tax charge is allocated between profit making and loss making Danish entities in proportion to their taxable income (full allocation method). The parent acts as a management company for all the entities encompassed by the joint taxation arrangement and is thus responsible for ensuring that tax charges, etc. are paid to the Danish tax authorities.

On payment of joint taxation contributions, the current Danish corporation tax charge is allocated between the jointly taxed enterprises in proportion to their taxable income. Enterprises with tax losses receive joint taxation contributions from enterprises that have been able to use the tax losses to reduce their own taxable income.

Financial statements 1 January – 31 December

Notes (Continued)

1 Accounting policies

Balance sheet

Intangible assets

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

An initial recognition, intangible assets are measured at cost.

Development projects are capitalised if they are clearly defined and identifiable and the following recognition criteria can be satisfied:

-The technical feasibility of completing the project can be demonstrated,

-plans are to produce and market the product or to use the product or the process,

-sufficient technical and financial resources to complete and use or sell the project are available,

-it is probable that the project will generate future economic benefits and that a potential, future market or possibility of internal use in the entity exists,

-the cost can be made up reliably.

Development costs not satisfying the above criteria are expensed in the income statement as incurred.

The cost of development projects is measured at direct costs incurred as well as a portion of costs indirectly attributable to the individual development projects.

Software are measured at cost less accumulated amortization and impairment losses. Software are amortized over 5 years.

Gains and losses on the sale of intangible assets are recognised in the income statement under 'Other operating income' or ‘Other operating expenses', respectively. Gains and losses are calculated by reference to the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Financial statements 1 January – 31 December

Notes (Continued)

1 Accounting policies

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, no scrap value is expected. Land is not depreciated. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

The amortisation periods are:

Buildings	25 years
Buildings installations	10 years
Plant and machinery	8 years
Tools	4 years
Fixtures and fittings, tools and equipment	3-8 years

Depreciations is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively. The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year.

Gains or losses are made up as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating costs.

Other securities and investments

Other securities and investments are measured at cost.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment is tested annually for evidence of impairment other than the decrease in value reflected by amortisation/depreciation. Impairment tests are conducted on individual assets or groups of assets when there is evidence of impairment. Assets are written down to the lower of the carrying amount and the recoverable amount.

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the net present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Financial statements 1 January – 31 December

Notes (Continued)

1 Accounting policies

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the sales price.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other costs directly attributable to the acquisition.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Provisions are made to the lower of the net realisable value and the carrying amount.

Work in progress for third parties

Ongoing service supplies and work in progress for third parties are measured at the market value of the work performed less advances received. The market value is calculated on the basis of the percentage of completion at the balance sheet date and the total expected income from the relevant contract. The percentage of completion is made up based on costs incurred relative to the expected, total expenses on each individual work in progress.

Where the outcome of contract work in progress cannot be made up reliably, the market value is measured at the costs incurred in so far as they are expected to be paid by the purchaser.

Financial statements 1 January – 31 December

Notes (Continued)

1 **Accounting policies**

Where the total expenses relating to the work in progress are expected to exceed the

total market value, the expected loss is recognised as a loss making agreement under 'Provisions' and is expensed in the income statement.

The value of each contract in progress less prepayments is classified as assets when the market value exceeds prepayments and as liabilities when prepayments exceeds the market value.

Prepayments

Prepayments recognised under ‘Assets' comprise prepaid expenses regarding subsequent financial reporting years.

Cash at hand and in bank

Cash at hand and in bank comprise cash and short term marketable securities which are subject to an insignificant risk of changes in value.

Equity

Proposed dividends

Dividends proposed for the financial year are presented as a separate item under ‘Equity'.

Provisions

Provisions comprise expected expenses relating to guarantee commitments, losses on work in progress, restructurings, etc. Provisions are recognised when the company has a legal or constructive obligation as a result of a past event at the balance sheet date and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation concerned is expected to be settled far into the future.

Warranties comprise obligations to make good any defects within the warranty period. Provisions for warranties are measured at net realisable value and recognised based on past experience.

Provisions are measured at net realisable value.

Financial statements 1 January – 31 December

Notes (Continued)

1 Accounting policies

Corporation tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Provisions for deferred tax are calculated, based on the liability method, of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income.

Deferred tax is measured according to the taxation rules and taxation rate applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set off against deferred tax liabilities within the same jurisdiction.

Other payables

Other payables are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Segment information

Information is provided on business segments and geographical markets. Segment information is based on the Company's accounting policies, risks and internal financial management.

Financial statements 1 January – 31 December

Notes (Continued)

	DKK'000	2016	2015
2	**Revenue**		
	Business segmentation of revenue:		
	Sale of goods	1,501,365	1,373,491
	Sale of projects	528,143	520,300
		2,029,508	1,893,791
	Geographical segmentation of revenue		
	Denmark	1,740,477	1,638,216
	International markets	289,031	255,575
		2,029,508	1,893,791
3	**Staff costs**		
	Wages and salaries	478,305	462,115
	Pensions	38,613	39,195
	Other social and security costs	15,592	3,810
		532,510	505,120
	Average number of full-time employees	783	806

By reference to section 98b (3), (ii), of the Danish Financial Statements Act, remuneration to management is not disclosed.

	DKK'000	2016	2015
4	**Financial income**		
	Interest receivable, group entities	3	2
	Exchange gain	1,118	4,713
	Other financial income	102	33
		1,223	4,748
5	**Financial expenses**		
	Interest expenses, group entities	11	285
	Exchange losses	2,417	5,130
	Other financial expenses	156	360
		2,584	5,775

Financial statements 1 January – 31 December

Notes (Continued)

DKK'000		2016	2015
6	**Tax on profit/loss for the year**		
	Estimated tax charge for the year	51,822	42,279
	Deferred tax adjustments in the year	1,616	7,948
	Tax adjustments, prior years	0	-1,946
		53,438	48,281
7	**Proposed profit appropriation**		
	Retained earnings	0	0
	Proposed dividend recognised under equity	183,302	159,967
		183,302	159,967

8 Intangible assets

DKK'000	Goodwill	Software	Total
Cost at 1 January	0	3,365	3,365
Additions in the year	6,287	0	6,287
Transfer in the year	0	3,195	3,195
Cost at 31 December 2016	6,287	6,560	12,847
Impairment losses and amortisation at 1 January 2016	0	-3,238	-3,238
Amortisation/depreciation in the year	-1,886	-1,193	-3,079
Impairment losses and amortisation at 31 December 2016	-1,886	-4,431	-6,317
Carrying amount at 31 December 2016	4,401	2,129	6,530

9 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January 2016	142,614	546,273	59,312	48,601	796,800
Additions in the year	0	14,977	98	26,993	42,068
Transfer in the year	17,118	8,342	3,274	-31,930	-3,196
Disposals in the year	0	-2,516	-553	0	-3,069
Cost at 31 December 2016	159,732	567,076	62,131	43,664	832,603
Impairment losses and depreciation at 1 January 2016	-88,496	-470,335	-43,750		-602,581
Amortisation/depreciation in the year	-7,075	-34,847	-3,565		-45,487
Reversal of amortisation/depreciation of disposals	0	2,516	478		2,994
Revaluations at 31 December 2016	-95,571	-502,666	-46,837	0	-645,074
Carrying amount at 31 December 2016	64,161	64,410	15,294	43,664	187,529

Financial statements 1 January – 31 December

Notes (Continued)

10 Investments

DKK'000	Other securities and investments	Total
Cost at 1 January 2016	3,383	3,383
Cost at 31 December 2016	3,383	3,383
Impairment losses at 1 January 2016	0	0
Impairment losses at 31 December 2016	0	0
Carrying amount at 31 December 2016	3,383	3,383

	Legal form	Domicile
Other investments in limited partnerships or partnerships		
Schneider India	Limited	India
Nordfyns Erhvervsselskab	A/S	Denmark

11 Work in progress for third parties

DKK'000	2016	2015
On-account invoicing, work in progress	-5,685	2,767
	-5.685	2,767
recognised as follows:		
Work in progress for third parties (assets)	38,744	44,764
Work in progress for third parties (liabilities)	-44,429	-41,997
	-5,685	2,767

Selling price of contract work in progress totals DKK 428,610 thousand (2015 DKK 418.180 thousand) and invoicing on account total DKK 434,295 thousand (2015 DKK 415.413 thousand).

12 Share capital

The share capital consists of 5 shares of a nominal value of DKK 22,400,000 each.

All shares rank equally.

13 Provisions

The provision for deferred tax primarily relates to timing differences in respect of intangible assets, liabilities and property, plant and equipment.

Financial statements 1 January – 31 December

Notes (Continued)

Other provisions comprise provisions for warranty commitments, totalling DKK 22,465 thousand (2015 DKK 13.877 thousand) and restructuring provisions of DKK 5,649 thousand (2015 DKK 2.850 thousand). Warranty provisions relate to expected warranty expenses in accordance with usual guarantee commitments applicable to the sale of goods. The restructuring provision will be paid out in the coming financial year.

Deferred tax, DKK'000	2016	2015
Deferred tax at 1 January	12,899	11,282
Change in the year	1,616	1,617
Deferred tax at 31 December	14,515	12,899

14 Deferred income

Deferred income comprises payments relating to the sale of services, which will not be recognised as income until in the subsequent financial year once the recognition criteria are satisfied.

15 Collateral

The Company has not pledge any assets or other as security for loans at 31/12 2016.

16 Contractual obligations, contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with its parent, Schneider Nordic Baltic A/S, which acts as management company, and is jointly and severally with other jointly taxed group entities for payment of income taxes for the income year 2013 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 1 July 2012.

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Notes (Continued)

DKK'000	2016	2015
Other financial obligations		
Rent and lease liabilities	177,870	161,746

The Company have issued performance bonds for DKK 120.6 million (2015 DKK 118 million). The company has issued a guarantee for a loan to a group company DKK 1.6 million (2015 DKK 1.6 million). The company have issued other guarantees amounting to DKK 11.3 million (2015 DKK 12 million).

17 Related party disclosures

Schneider Electric Danmark A/S' related parties comprise the following:

Parties exercising control

Related party:

Schneider Nordic Baltic A/S

Domicile:

Lautrupvang 1A, Ballerup

Basis for control:

Share capital

Information about consolidated financial statements

Parent:

Schneider Electric Industries SAS

Domicile:

France

Requisitioning of the parent's consolidated financial statements

http://www2.schneiderelectric.com/sites/corporate/en/finance/presentations/annualreports.page

Financial statements 1 January – 31 December

Notes (Continued)

18 Fees to the auditor appointed by the Company in the general meeting

Audit fees are not disclosed with reference to section 96(3) of the Danish Financial Statements Act. The fee is specified in the consolidated financial statements for Schneider Electric Industries S.A.

19 Related party transactions

DKK'000	2016
Sales of goods	257.625
Purchase of goods	524,740
Sales of services	129,419
Purchase of services	50,257
Net financial items	-8
Receivables from group entities	60,293
Liabilities to group entities	75,877